

1 AN ACT relating to certain financial institutions.

2 Be it enacted by the People of the State of Illinois,
3 represented in the General Assembly:

4 Section 5. The Illinois Credit Union Act is amended by
5 changing Sections 15, 40, 46, 51, and 59 as follows:

6 (205 ILCS 305/15) (from Ch. 17, par. 4416)

7 Sec. 15. Membership defined.

8 (1) The membership of a credit union shall be limited to
9 and consist of the subscribers to the articles of
10 incorporation and such other persons within the common bond,
11 as defined in this Act and as set forth in the credit union's
12 articles of incorporation, as have been duly admitted
13 members, have paid the required entrance fee or membership
14 fee, or both, if any, have subscribed for one or more shares,
15 and have paid the initial installment thereon, and have
16 complied with such other requirements as the articles of
17 incorporation or bylaws specify. Two or more persons within
18 the common bond who have jointly subscribed for one or more
19 shares under a joint account and have complied with all
20 membership requirements may each be admitted to membership.
21 The surviving spouse of a credit union member may, within 6
22 months of the member's death, become a member of the credit
23 union by paying the required entrance fee or membership fee
24 or both, if any, by subscribing for one or more shares and
25 paying the initial installment thereon, and by complying with
26 such other requirements as the articles of incorporation or
27 bylaws specify.

28 (2) Any member may withdraw from a credit union at any
29 time upon giving notice of withdrawal as required by the
30 bylaws.

31 (3) Any member may be expelled by a 2/3 vote of the

1 members present at any regular or special meeting called to
2 consider the matter, but only after an opportunity has been
3 given to the member to be heard.

4 (4) A member who has caused a loss to the credit union,
5 ~~or who has~~ failed to maintain one or more shares at the
6 credit union, or violated Board policy applicable to members
7 may be expelled by a majority vote of a quorum of directors
8 if the board has adopted a policy providing for expulsion
9 under those circumstances. In maintaining and enforcing a
10 policy based on loss, the board may consider, without
11 limitation, a member's failure to pay amounts due under a
12 loan, failure to provide collected funds to cover withdrawals
13 or personal share drafts or credit union drafts where the
14 member is a remitter, or failure to pay fees or charges due
15 the credit union. If a policy is adopted by the board
16 pursuant to this subsection (4), written notice of the policy
17 and the effective date of the policy shall be mailed to each
18 member of the credit union at the member's current address
19 appearing on the records of the credit union. The policy
20 shall be mailed to members not fewer than 30 days prior to
21 the effective date of the policy. In addition, new members
22 shall be provided written notice of the policy prior to or
23 upon applying for membership.

24 (5) All or any part of the amount paid on shares of a
25 withdrawing member or expelled member with any declared
26 dividends or interest on the date of withdrawal or expulsion
27 must, after deducting all amounts due from the member to the
28 credit union, be paid to him. The credit union may require
29 not more than 60 days' written notice of intention to
30 withdraw shares, but a notice of withdrawal does not entitle
31 the member to any preferred or prior claim in the event of
32 liquidation. Withdrawing or expelled members have no further
33 rights in the credit union, but are not, by withdrawal or
34 expulsion, released from any obligation they owe to the

1 credit union.

2 (6) A member who has caused a loss to the credit union
3 or has violated Board policy applicable to members may be
4 denied any or all credit union services in accordance with
5 board policy, however, members who are denied services shall
6 be allowed to maintain a share account and to vote on all
7 issues put to a vote of the membership.

8 (Source: P.A. 91-929, eff. 12-15-00.)

9 (205 ILCS 305/40) (from Ch. 17, par. 4441)

10 Sec. 40. Shares to Minors. Shares may be issued in the
11 name of a minor or in the name of a custodian under the
12 Illinois Uniform Transfers to Minors Act, as amended. If
13 shares are issued in the name of a minor, redemption of any
14 part or all of the shares by payment to the minor or upon
15 order of the minor of the amount of the shares and any
16 declared dividends releases the credit union from all
17 obligations to the minor as to the shares redeemed. Further,
18 if shares are issued in the name of a minor, the minor shall
19 be considered as being of the age of majority and having
20 contractual capacity.

21 (Source: P.A. 84-915.)

22 (205 ILCS 305/46) (from Ch. 17, par. 4447)

23 Sec. 46. Loans and interest rate.

24 (1) A credit union may make loans to its members for
25 such purpose and upon such security and terms, including
26 rates of interest, as the Credit Committee, credit manager,
27 or loan officer approves. Notwithstanding the provisions of
28 any other law in connection with extensions of credit, a
29 credit union may elect to contract for and receive interest
30 and fees and other charges for extensions of credit subject
31 only to the provisions of this Act and rules promulgated
32 under this Act, except that extensions of credit secured by

1 residential real estate shall be subject to the laws
2 applicable thereto. The rates of interest to be charged on
3 loans to members shall be set by the Board of Directors of
4 each individual credit union and such rates may be less than,
5 but may not exceed, the maximum rate set forth in this
6 Section. A borrower may repay his loan prior to maturity, in
7 whole or in part, without penalty. The credit contract may
8 provide for the payment by the member and receipt by the
9 credit union of all costs and disbursements, including
10 reasonable attorney's fees and collection agency charges,
11 incurred by the credit union to collect or enforce the debt
12 in the event of a delinquency by the member, or in the event
13 of a breach of any obligation of the member under the credit
14 contract. A contingency or hourly arrangement established
15 under an agreement entered into by a credit union with an
16 attorney or collection agency to collect a loan of a member
17 in default shall be presumed prima facie reasonable.

18 (2) Credit unions may make loans based upon the security
19 of any interest or equity in real estate, subject to rules
20 and regulations promulgated by the Director. In any contract
21 or loan which is secured by a mortgage, deed of trust, or
22 conveyance in the nature of a mortgage, on residential real
23 estate, the interest which is computed, calculated, charged,
24 or collected pursuant to such contract or loan, or pursuant
25 to any regulation or rule promulgated pursuant to this Act,
26 may not be computed, calculated, charged or collected for any
27 period of time occurring after the date on which the total
28 indebtedness, with the exception of late payment penalties,
29 is paid in full.

30 For purposes of this subsection (2) of this Section 46, a
31 prepayment shall mean the payment of the total indebtedness,
32 with the exception of late payment penalties if incurred or
33 charged, on any date before the date specified in the
34 contract or loan agreement on which the total indebtedness

1 shall be paid in full, or before the date on which all
2 payments, if timely made, shall have been made. In the event
3 of a prepayment of the indebtedness which is made on a date
4 after the date on which interest on the indebtedness was last
5 computed, calculated, charged, or collected but before the
6 next date on which interest on the indebtedness was to be
7 calculated, computed, charged, or collected, the lender may
8 calculate, charge and collect interest on the indebtedness
9 for the period which elapsed between the date on which the
10 prepayment is made and the date on which interest on the
11 indebtedness was last computed, calculated, charged or
12 collected at a rate equal to 1/360 of the annual rate for
13 each day which so elapsed, which rate shall be applied to the
14 indebtedness outstanding as of the date of prepayment. The
15 lender shall refund to the borrower any interest charged or
16 collected which exceeds that which the lender may charge or
17 collect pursuant to the preceding sentence. The provisions
18 of this amendatory Act of 1985 shall apply only to contracts
19 or loans entered into on or after the effective date of this
20 amendatory Act.

21 (3) Notwithstanding any other provision of this Act, a
22 credit union authorized under this Act to make loans secured
23 by an interest or equity in real estate may engage in making
24 "reverse mortgage" loans to persons for the purpose of making
25 home improvements or repairs, paying insurance premiums or
26 paying real estate taxes on the homestead properties of such
27 persons. If made, such loans shall be made on such terms and
28 conditions as the credit union shall determine and as shall
29 be consistent with the provisions of this Section and such
30 rules and regulations as the Director shall promulgate
31 hereunder. For purposes of this Section, a "reverse
32 mortgage" loan shall be a loan extended on the basis of
33 existing equity in homestead property and secured by a
34 mortgage on such property. Such loans shall be repaid upon

1 the sale of the property or upon the death of the owner or,
2 if the property is in joint tenancy, upon the death of the
3 last surviving joint tenant who had such an interest in the
4 property at the time the loan was initiated, provided,
5 however, that the credit union and its member may by mutual
6 agreement, establish other repayment terms. A credit union,
7 in making a "reverse mortgage" loan, may add deferred
8 interest to principal or otherwise provide for the charging
9 of interest or premiums on such deferred interest.
10 "Homestead" property, for purposes of this Section, means the
11 domicile and contiguous real estate owned and occupied by the
12 mortgagor. The Director shall promulgate rules and
13 regulations under this Section; provided that such rules and
14 regulations need not be promulgated jointly with any other
15 administrative agency of this State.

16 (4) Notwithstanding any other provisions of this Act, a
17 credit union authorized under this Act to make loans secured
18 by an interest or equity in real property may engage in
19 making revolving credit loans secured by mortgages or deeds
20 of trust on such real property or by security assignments of
21 beneficial interests in land trusts.

22 For purposes of this Section, "revolving credit" has the
23 meaning defined in Section 4.1 of the Interest Act.

24 Any mortgage or deed of trust given to secure a revolving
25 credit loan may, and when so expressed therein shall, secure
26 not only the existing indebtedness but also such future
27 advances, whether such advances are obligatory or to be made
28 at the option of the lender, or otherwise, as are made within
29 twenty years from the date thereof, to the same extent as if
30 such future advances were made on the date of the execution
31 of such mortgage or deed of trust, although there may be no
32 advance made at the time of execution of such mortgage or
33 other instrument, and although there may be no indebtedness
34 outstanding at the time any advance is made. The lien of

1 such mortgage or deed of trust, as to third persons without
2 actual notice thereof, shall be valid as to all such
3 indebtedness and future advances from the time said mortgage
4 or deed of trust is filed for record in the office of the
5 Recorder of Deeds or the Registrar of Titles of the county
6 where the real property described therein is located. The
7 total amount of indebtedness that may be so secured may
8 increase or decrease from time to time, but the total unpaid
9 balance so secured at any one time shall not exceed a maximum
10 principal amount which must be specified in such mortgage or
11 deed of trust, plus interest thereon, and any disbursements
12 made for the payment of taxes, special assessments, or
13 insurance on said real property, with interest on such
14 disbursements.

15 Any such mortgage or deed of trust shall be valid and
16 have priority over all subsequent liens and encumbrances,
17 including statutory liens, except taxes and assessments
18 levied on said real property.

19 (5) Compliance with federal or Illinois preemptive laws
20 or regulations governing loans made by a credit union
21 chartered under this Act shall constitute compliance with
22 this Act.

23 (Source: P.A. 90-222, eff. 7-25-97.)

24 (205 ILCS 305/51) (from Ch. 17, par. 4452)

25 Sec. 51. Other Loan Programs.

26 (1) Subject to such rules and regulations as the
27 Director may promulgate, a credit union may participate in
28 loans to credit union members jointly with other credit
29 unions, corporations, or financial institutions. An
30 originating credit union may originate loans only to its own
31 members. A participating credit union that is not the
32 originating lender may participate in loans made to its own
33 members or to members of another participating credit union.

1 "Originating lender" means the participating credit union
2 with which the member contracts. A master participation
3 agreement must be properly executed, and the agreement must
4 include provisions for identifying, either through documents
5 incorporated by reference or directly in the agreement, the
6 participation loan or loans prior to their sale.

7 (2) Any credit union with assets of \$500,000 or more may
8 loan to its members under the State Scholarships Law or other
9 scholarship programs which are subject to a federal or state
10 law providing 100% repayment guarantee.

11 (3) A credit union may purchase the conditional sales
12 contracts, notes and similar instruments which evidence an
13 indebtedness of its members.

14 (4) With approval of the Board of Directors, a credit
15 union may make loans, either on its own or jointly with other
16 credit unions, corporations or financial institutions, to
17 credit union organizations; provided, that the aggregate
18 amount of all such loans outstanding shall not at any time
19 exceed the greater of 3% 1% of the paid-in and unimpaired
20 capital and surplus of the credit union or the amount
21 authorized for federal credit unions.

22 (Source: P.A. 92-293, eff. 8-9-01.)

23 (205 ILCS 305/59) (from Ch. 17, par. 4460)

24 Sec. 59. Investment of Funds. Funds not used in loans to
25 members may be invested, pursuant to subsection (7) of
26 Section 30 of this Act, and subject to Departmental rules and
27 regulations:

28 (1) In securities, obligations or other instruments of
29 or issued by or fully guaranteed as to principal and interest
30 by the United States of America or any agency thereof or in
31 any trust or trusts established for investing directly or
32 collectively in the same;

33 (2) In obligations of any state of the United States,

1 the District of Columbia, the Commonwealth of Puerto Rico,
2 and the several territories organized by Congress, or any
3 political subdivision thereof; however, a credit union may
4 not invest more than 10% of its unimpaired capital and
5 surplus in the obligations of one issuer, exclusive of
6 general obligations of the issuer, and investments in
7 municipal securities must be limited to securities rated in
8 one of the 4 highest rating categories by a nationally
9 recognized statistical rating organization;

10 (3) In certificates of deposit or passbook type accounts
11 issued by a state or national bank, mutual savings bank or
12 savings and loan association; provided that such institutions
13 have their accounts insured by the Federal Deposit Insurance
14 Corporation or the Federal Savings and Loan Insurance
15 Corporation; but provided, further, that a credit union's
16 investment in an account in any one institution may exceed
17 the insured limit on accounts;

18 (4) In shares, classes of shares or share certificates
19 of other credit unions, including, but not limited to
20 corporate credit unions; provided that such credit unions
21 have their members' accounts insured by the NCUA or other
22 approved insurers, and that if the members' accounts are so
23 insured, a credit union's investment may exceed the insured
24 limit on accounts;

25 (5) In shares of a cooperative society organized under
26 the laws of this State or the laws of the United States in
27 the total amount not exceeding 10% of the unimpaired capital
28 and surplus of the credit union; provided that such
29 investment shall first be approved by the Department;

30 (6) In obligations of the State of Israel, or
31 obligations fully guaranteed by the State of Israel as to
32 payment of principal and interest;

33 (7) In shares, stocks or obligations of other financial
34 institutions in the total amount not exceeding 5% of the

1 unimpaired capital and surplus of the credit union;

2 (8) In federal funds and bankers' acceptances;

3 (9) In shares or stocks of Credit Union Service
4 Organizations in the total amount not exceeding the greater
5 of 3% 1% of the unimpaired capital and surplus of the credit
6 union or the amount authorized for federal credit unions.

7 As used in this Section, "political subdivision"
8 includes, but is not limited to, counties, townships, cities,
9 villages, incorporated towns, school districts, educational
10 service regions, special road districts, public water supply
11 districts, fire protection districts, drainage districts,
12 levee districts, sewer districts, housing authorities, park
13 districts, and any agency, corporation, or instrumentality of
14 a state or its political subdivisions, whether now or
15 hereafter created and whether herein specifically mentioned
16 or not.

17 (Source: P.A. 92-293, eff. 8-9-01.)

18 Section 99. Effective date. This Act takes effect upon
19 becoming law.